Insurance State of the Market

Lutheran Financial Managers Association

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About Us…

Johnson Kendall Johnson, Inc. is a privately owned independent firm, run exclusively by insurance brokers with no attachments to any insurers or financial institutions.

Over the last 65 years, JKJ has grown to be acknowledged as one of the premier insurance brokerage firms in the United States.

Our clients range from Fortune 1000 companies to sole proprietorships in fields as wide-ranging as biotechnology and financial institutions to healthcare and real estate developers.

JKJ developed a niche in the Senior Living Industry, insuring the very first Continuing Care Retirement Community (CCRC)/Life Plan Community in 1969 in PA, who proudly is still a client today! We actively manage over 300 Senior Living & Human Services organizations across the country.

Headquartered in Newtown, PA. JKJ Client's operate throughout the U.S. and across the globe.

We are proudly the Founder of the 401k plan – and retain the first ever plan to this day!

Speaker Introduction

- **Alexandra H. Bretschneider, CCIC**
- Cyber Practice Leader, Vice President

- St Joseph's University – MIS & Finance
  - Big 4 IT Consulting & Telecom Consulting Background
  - *Cyber COPE Insurance Certification* from Carnegie Mellon Heinz College of Information Systems & Public Policy
- Work with organizations in Human Services, Senior Living, Manufacturing, Technology, Retail & Hospitality
- Founded JKJ's Cyber Practice
  - Awarded Cyber Broker of the Year 2021 and 2023 by Zywave
  - Continually speaking at industry leading events & associations

JKJ Vision

- Our vision is to create a service driven, risk management platform such that JKJ becomes an extension of your Insurance and Risk Management Team.
- Our Focus
  - Risk Prevention (Loss Control)
  - Risk Transfer (Insurance)
  - Risk Mitigation (Claims Management)
  - Continually develop risk management programs that will avail the tools to reduce losses

Agenda

- Market Conditions & Recommendations:
  - Property
  - Auto
  - General & Professional Liability
  - Excess
  - Workers Comp
  - Management Liability
  - Cyber

MARKET CONDITIONS

Market Conditions: History

- Prior to the last 4+ years, commercial insurance sector had been smooth: stable premiums & coverage since 2001 (Sept 11th)
  - Prior to that - the last sustained hard market occurred in the 1980s

- Commercial insurance has now been experiencing a hard market for the last half-decade; resulting in:
  - Reducing capacity
  - Reducing coverages
  - Increasing pricing
  - Market exits

Market Conditions: You

Healthcare/Human Service Providers continue to face:

- Rising labor costs and staffing shortages
- Ongoing surge in professional liability claims (due to inexperienced or over utilized staffing)
  - Average liability claim is now approximately $250,000
- Economic Inflation: skyrocketing inflation has driven up costs on multiple fronts:
  - Building materials
  - Replacement parts
  - Labor
  - Medical expenses
  - Attorney fees
  - Settlement amounts
- Insurance Buyer Fatigue (even on accounts with minimal to no loss experience):
  - Resulting in insureds purchasing less overall limit, retaining higher deductibles, reducing CAT sublimits, self-insuring a portions to assist in controlling the ultimate cost of their respective renewal

Market Conditions: Insurance Carriers

- Recently - Insurers improved profitability due to rate increases, better underwriting practices and higher investment returns.
  - However, the P&C industry is still not earning enough to cover its cost of capital.
- After years of hard market conditions, we are now experiencing downward pressure in pricing in 2024 as carriers compete for more favorable business.
  - The full impact of the COVID-19 pandemic on loss experience has yet to be seen but it has been more favorable than expected.
- Still pushing higher property deductibles and coinsurance, particularly when located in CAT prone areas.
- Economic AND Social Inflation:
  - Social inflation results in higher claims costs beyond general economic inflation. The trend in increasing litigation costs brought by plaintiffs seeking large monetary relief for their injuries brought by shifting social and cultural attitudes about who is responsible for absorbing risk (the insurer or the plaintiff). The varying demographic makeup of jury pools, an increasing public distrust of large corporations, and the influences of social media and legal marketing can all influence jury verdicts and awards

Market Conditions: Reinsurance

- Inflation: As a consequence, reinsurance costs rise during periods of high inflation, which leads to insurers introducing higher premiums for policyholders.

- January 1, 2024 reinsurance renewal much improved over last year: more capacity, retention levels stabilizing, consistent rates
  - This was mainly due to: Increased profitability, Increased capital positions, Increased retro capacity (Reinsurers cede risk to other reinsurers, through Retrocession Agreements).

- However – continued new investment from reinsurers is stifled by the uncertainty on the impacts of climate change, inflation, litigation funding, and geopolitical risk

- More to come - many domestic insurance markets will renew their treaties 4/1, 5/1 and 6/1. Expectation: improved underwriting discipline and risk selection will prevail but that accounts with better risk characteristics (e.g., construction, losses, geographic location, industry class, etc.) will achieve better results when compared to 2023.

Market Conditions: 2024 Predictions

- Alera Group's recent P&C Market Outlook:
  - Prices will continue to go up in 2024, with most lines of business likely to experience a 1%-10% increase.
  - Commercial Property & Auto experience 10%-15% projected price increase, due to loss severity and frequency, higher repair costs and extreme weather events.
  - Offsetting factors of projected D&O, and Workers Comp 1%-10% price decrease as rates cover loss costs and markets are stabilized

- Organizations with less favorable loss ratios/loss history can continue to expect higher retentions/deductibles on their insurance

- Economists predict that, in most markets, the insurance industry will not be able to generate sufficient returns to cover its cost of capital in 2024 or 2025 due to the rising expense of litigation and economic inflation, which leads to higher claims costs.

Market Conditions: Combined Ratio


US P/C Industry Underwriting Loss Reaches 10-Year High: AM Best

March 7, 2024

Definition of Combined Ratio:

- **Combined Ratio** = Loss ratio + Expense Ratio
- **Loss ratio** = total incurred losses in relation to the total collected insurance premiums
- **Expense ratio** = how expensive it is to generate new business since it takes into account commissions, salaries, overhead, benefits, and operating costs
- Combined ratio measures the incurred losses and expenses in relation to the total collected premiums
  - The loss and loss-adjustment ratio demonstrate how much it costs the insurer to offer one dollar of protection

Market Conditions: AM Best 2023 Review

U.S. Property/Casualty – Product Line Underwriting Trends

	NPW 2023		Combined Ratios						
Product Line[1]	Share (%)	Growth (%)	2018	2019	2020	2021	2022	2023E	2024P
Private Passenger Auto	34.8	12.5	97.7	98.8	92.5	101.4	112.2	109.5	103.1
Homeowners & Farmowners Multi-peril	15.7	12.0	103.6	98.5	107.3	103.4	104.6	111.0	106.1
Other & Products Liability[2]	12.4	9.5	101.1	105.6	105.0	97.1	96.2	96.5	97.5
Commercial Auto	6.5	10.0	108.0	109.4	101.8	98.8	105.4	107.0	103.5
Commercial Multi-peril	6.4	15.0	106.5	105.1	109.8	106.2	105.5	107.0	104.5
Workers Compensation	6.0	3.0	87.0	88.3	91.1	92.2	87.8	90.5	91.5
Total All Lines	**100.0**	**11.4**	**99.6**	**99.2**	**98.8**	**100.0**	**103.1**	**103.7**	**100.7**

E=Estimated, P=Projected

[1] Source: Best's Statement File Supplement — Insurance Expense Exhibit (IEE) — P/C, US (2018-2022)

[2] Other Liability includes cyber liability, professional liability, D&O, excess casualty/umbrella, environmental/pollution, general liability, and EPLI.

Note: The AM Best report shows more lines of business including fire and allied, inland marine, medical professional and other lines

Source: AM Best data and research

AM Best Chart from "Review & Preview Best's Market Segment Report, titled, "US Property/Casualty: Weather, Reinsurance and Inflation Drive Results – Again"

Red and green highlights indicating worst and best results added by Carrier Management

Source: https://www.insurancejournal.com/news/national/2024/03/07/763884.htm

Market Conditions: CIAB Survey

25 Straight Quarters of Premium Increases for Commercial Lines: CIAB Survey

By Chad Hemenway | March 4, 2024

- Overall Commercial P&C premiums increased slightly for all account sizes to 7% on average in the fourth quarter 2023, continuing a trend that has now last more than 6 years.

- According to The Council of Insurance Agents and Brokers' [Q4 Market Survey](), the 7% average increase in Q4 compared to 8.1% in Q3, is the 25th straight quarter with increases though.
    - Almost all lines of business recorded smaller increases than in the previous quarter.

- "At this point, we're all numb to the changes and inundated with articles and whitepapers outlining the reasons," said one survey respondent. "The underwriters and I have essentially stopped discussing the reasons and have moved on to individual account solutions at this point."

Source: https://www.insurancejournal.com/news/national/2024/03/04/763305.htm

Market Conditions

	COMM'L AUTO	WORKERS' COMP	COMM'L PROPERTY	GEN'L LIABILITY	UMBRELLA	AVERAGE
Fourth Quarter 2023	7.3%	-1.8%	11.8%	3.8%	7.6%	5.7%
Third Quarter 2023	8.8%	-2.0%	17.1%	4.2%	7.4%	7.1%
Second Quarter 2023	10.4%	-0.7%	18.3%	5.2%	8.1%	8.3%
First Quarter 2023	8.3%	-0.5%	20.4%	4.6%	8.5%	8.3%
Fourth Quarter 2022	7.3%	-1.1%	16.0%	4.9%	9.6%	7.4%
High	28.6%	24.9%	45.4%	26.0%	51.9%	35.3%
Low	-11.6%	-12.3%	-15.0%	-13.6%	-13.5%	-13.2%

Source:
The Council of Insurance Agents & Brokers

BUSINESS INSURANCE

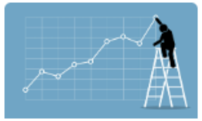
RISK MANAGEMENT WORKERS COMP INTERNATIONAL RESEARCH & REPC

Risk Management

Insurance rate increases accelerate in Q1

Gavin Souter
April 15, 2024

SHARE



Commercial insurance rate hikes accelerated across most major lines of coverage during the first quarter, according to a report Monday from Ivans Insurance Services, a unit of Applied Systems Inc.

Property rates again increased the most, with an average annual renewal rate hike of 10.5%, compared with 10.3% in the fourth quarter of 2023.

Business owners policy rates rose 9.3% in the first quarter, compared with 9.1% in the fourth quarter; commercial auto was up 9.1%, compared with 8.8%; umbrella rates increased 6.8%, up from 6.4%; and general liability rates rose 5.9%, up slightly from 5.8%.

The only major line to see rate decreases was again workers compensation, where rates slipped 0.9% in the first quarter, compared with a 0.6% decline in the fourth quarter.

PROPERTY

Property: Hurricanes, Floods & Storms

- 2023 Atlantic Hurricane season ranks 4th for most-named storms in a year
  - Total of 20 named storms
  - The impact of 2023 hurricanes, specifically storm surge and floods, highlights the need to accurately model and incorporate secondary perils into CAT models.
- Despite rate leveling off, 2023 actually did not perform well:
  - Fewer major storms; however more severe convective (thunder) storms
  - 86% of loss were secondary perils.
  - The increasing impact of such perils due to climate change requires additional research and more advanced development in secondary peril modeling to fully evaluate and mitigate disaster risks
- Flood coverage in high-risk zones or in areas with prior flood history such as New Orleans, Houston, and many coastal areas will remain limited
  - Flood insurance renewals are seeing rates climb 5% to flat.
  - Consider obtaining updated elevation certificates and challenging flood zone classifications
- Majority of severe losses in 2022 & 2023 majority of severe losses have been US based vs other countries.


After $70 Billion Hit, Insurers Wake Up to Growing Risks of Severe Convective Storms
By Gautam Naik | January 25, 2024

Source: https://www.insurancejournal.com/news/international/2024/01/25/757121.htm

Property: Earthquakes & Wildfires

- **Wildfires:** while California remains the most challenging state in which to obtain coverage, a growing number of regions are being identified and scrutinized as prone to wildfire exposure, including the central U.S. (lower Mississippi Valley, including Louisiana), Colorado, Oregon, Utah, Hawaii and Idaho.
  - California suffered [fewer wildfires and less total acreage burned in 2023]() versus 2022.
  - California Wildfires(2015-2022):
    - 55,791 wildfires
    - 11.2 million acres burned
    - $32 Billion in Insured loss
    - 30% of the state is in wildfire exposed area

- **Earthquakes:** growing concern over earth movement and it's occurrences in less typical areas.
  - Insurance rates increasing

Fire prone California homeowners left behind as insurance companies drop coverage

Residents in Paradise, California, said they've seen their rates skyrocket.

By Lindsey Griswold, Emily Lippiello, Stephanie Ebbs, Kelly Livingston, Annie Pong, and Ivan Pereira
November 16, 2023, 5:55 PM

A home burns as the Camp Fire rages through Paradise, Calif., on Nov. 8, 2018.
Noah Berger/AP

CNN

Rare 4.8 magnitude quake rattles Northeast

An earthquake rattled buildings across parts of the Northeast Friday morning, with reports of it being felt from Philadelphia to New York...

1 week ago

Property: Catastrophic Events

- The National Centers for Environmental Information states that the United States has experienced 376 weather/climate disasters since 1980, and there were 28 confirmed disasters in 2023 alone.
  - The total cost of these 376 events exceeds $2.655 trillion.

- The total cost of the 376 climate disasters has exceeded $2.655 trillion dollars. Of the 28 confirmed CAT events in 2023, the losses exceeding $1 billion each.

- New catastrophes happening in unusual areas (Hurricane in CA, Flooding in VT, Earthquake in PA/NJ/NY

- Studies have shown that the climate crisis has increased both the frequency and severity of extreme weather events like wildfires, hurricanes and tornadoes, especially in vulnerable states like California and Florida, which are both experiencing an ongoing insurance crisis.

- Insurers find themselves grappling with the aftermath of more frequent and severe storms and struggling to collect adequate premiums while navigating stringent state regulations.
  - CAT-exposed accounts will continue to face challenges as carriers continue to manage their aggregate exposure.
  - In areas prone to extreme hazards like hurricanes or wildfires or uninsurable zones such as coastal areas, property owners face unavailability or exorbitant costs of insurance.

Property: Insurance

- Property insurance is *finally* starting to show signs of stabilizing – but not stabilized
  - Rate increases continue but at less of an intense rate than past years (10% estimated average)
  - Depends on geographic locations & spread of risk
  - There are – and will continue to be – certain classes of business and geographic areas that will face higher rates as well as additional restrictive terms and conditions (like FL & CA)

- Valuation will remain an important underwriting factor. Most markets have implemented guidelines around insurance to value (e.g., imposing minimums or using proprietary forms of measurement). It will be critical to maintain proper valuation that considers inflation and property values.
  - Building & Contents Replacement Valuations have also leveled off as inflation as lowered
  - However still experiencing 3-7% value increases

- Builders Risk getting better in non fire catastrophic regions

- Cautiously optimistic outlook: hoping for continued better days ahead

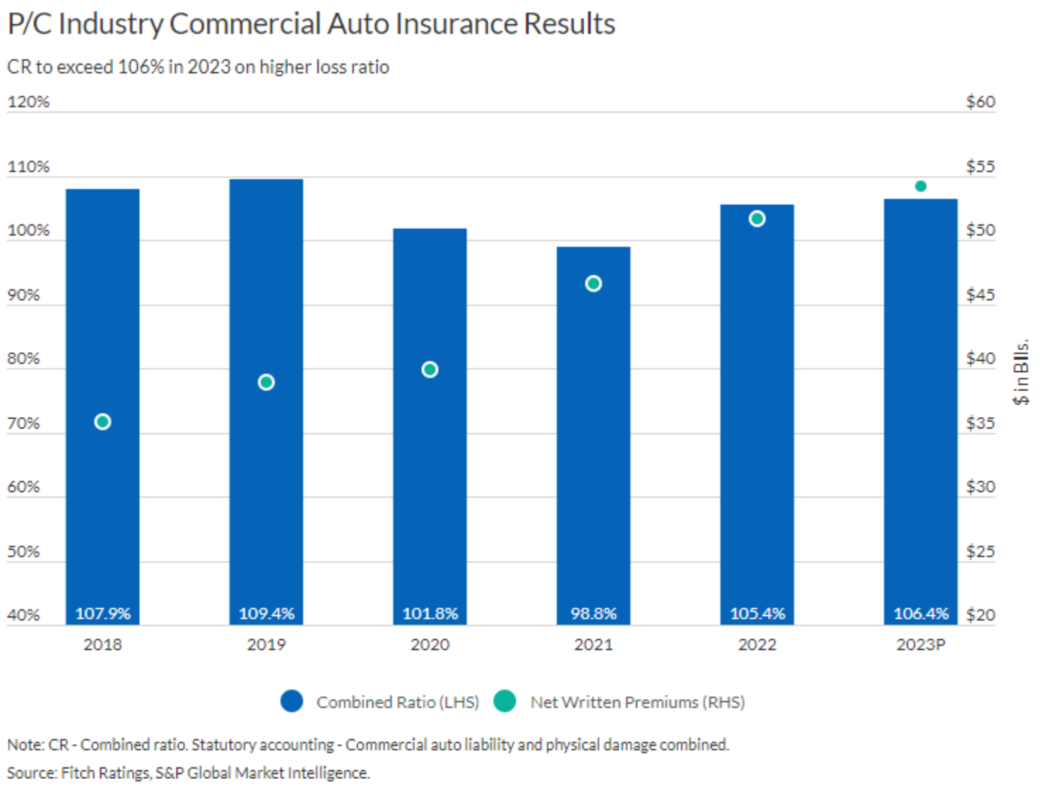
Property: Recommendations

- **Implement Technology** – sensors, theft mitigation, fire detection, water damage sensors, infrared scans, etc
- **Data Gather** – COPE information, flood zones, elevation certificates, replacement cost valuations
  - **Proper valuations** are a must for underwriters as material costs remain high and continue to increase.
- **Prepare** – develop weather preparedness protocols for different conditions; enhance business continuity planning
- **New Construction/Renovation** - consider insurance implications

AUTO

Auto

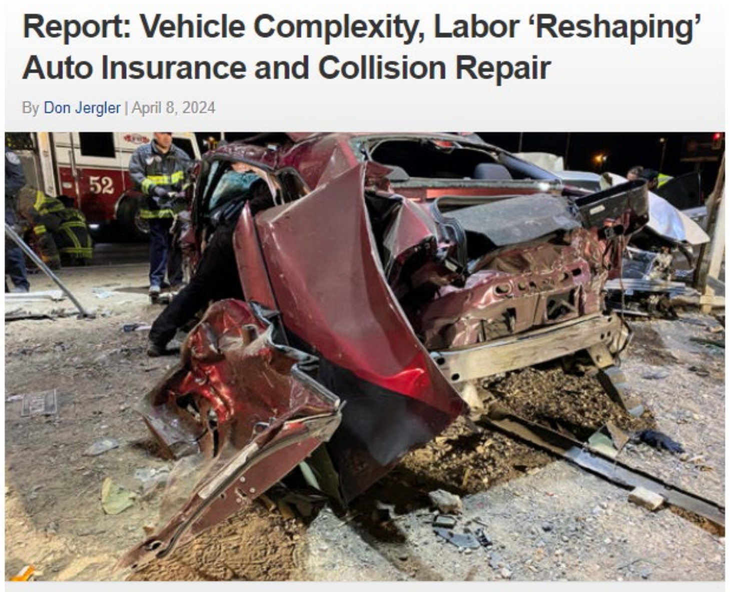
- Auto insurance premiums have been on the rise for the simple reason that the cost of what goes into auto insurance has been rising
- Regionally impacted, similar to Property
  - Florida & Georgia are more difficult markets
  - Carriers starting to exit certain geographies



Source: https://www.insurancejournal.com/news/national/2024/04/09/768632.htm

Auto: Causes of Rising Costs

- Repairs now require more parts, labor hours, and diagnostic operations like scanning and calibration.
  - Vehicle parts cost more now thanks to new material types
- Economic Inflation (of course)
- Medical expenses increasing - particularly for high-dollar procedures like radiology and surgery
- The average amount paid out on third party bodily injury claim has been steadily increasing to the current $25,000 figure. Increases have slowed in the last year, but the cumulative increase over the last four years has resulted in a 35% increase since Q2 2019, according to the report.*



*Source: CCC Intelligent Solution's [latest report for Q1 2024]

Auto: Causes of Rising Costs

- Accident frequency dipped during pandemic but has returned with a vengeance
  - Drivers are engaging in riskier behavior behind the wheel, such as speeding, distracted driving, and impaired driving
  - Insureds continue to have difficulty hiring qualified drivers
  - Fatalities from car accidents on the rise

- Bottom Line: The presence of more vehicle technology is not significantly reducing claims frequency or accident severity but is increasing overall costs. Claims cycle times and costs are increasing, and as a result, premiums continue to rise

CALIFORNIA

Car crashes killed more people than homicides in Los Angeles last year

Police at the scene in Pacoima this month where a pedestrian was hit and killed by three cars and where all three drivers failed to stop. (OnScene.TV)

By Rachel Uranga and Libor Jany

Jan. 25, 2024 3 AM PT

5 Forces Driving Commercial Auto Insurance Costs

By Travelers | 2 minutes

1. Bodily Injury Loss Costs

In the five-year period from 2018 to 2022, auto severity has increased a substantial 40% even as frequency has declined.[1] Causes include an increase in deadly accidents, rising verdicts in legal cases and medical cost inflation. In fact, the latter is expected to grow 7% in 2024, up from 6.0% in 2023 and 5.5% in 2022.[2]

Develop a Strategy to Control Your Company's Medical Costs

2. Attorney Involvement

With attorneys actively pursuing auto accident business, more claimants now have legal representation. These claims see higher rates of expenditures for medical procedures and treatment.[3] A complete fleet management program can help reduce your exposure.

Practice Smart Fleet Management

3. Distractions and Impairment

Distractions behind the wheel, from vehicle infotainment systems and mobile devices to driving under the influence, can lead to significant risks: 30% of companies surveyed reported that they have employees who have been involved in crashes due to mobile phone distraction, and deaths due to preventable crashes are up 18% versus pre-pandemic levels.[4]

Safeguard Your Business with a Distracted Driving Policy

4. Inexperienced Drivers

Resignations and retirements are leading to a shortage of commercial operators, increasing the chance that less experienced replacement drivers are behind the wheel. Operators in new vehicles and covering new routes can also contribute to an increase in accident rates.

Recruit Safe Drivers for Your Business

5. Vehicle Repair and Replacement Costs

Autos have become more expensive to insure and repair. Newer vehicles are outfitted with advanced materials and technology designed to make driving more comfortable and safer. When these vehicles are involved in an accident, costs can be high, and labor shortages and inflation have only exacerbated the issue. In fact, motor vehicle parts and equipment costs have increased almost 24% since September 2019.[5] Meanwhile, used car prices are still up almost 47.9% in 2023 compared to the average from 2015 to 2019, despite recent softening.[6] This directly impacts the cost of claims in the event of a total loss. Finally, rising auto thefts are further contributing to increased claim costs.

Auto: Recommendations

- Data Analytics
  - Detailed review of auto claim history to identify causes of loss (backing up, tailgating, merging, defense driving, etc)
- Telematics & Monitoring Technology
  - GPS devices and inward/outward facing video cameras
  - Accompanied with a discipline policy for GPS infractions. It’s important that the drivers receive ongoing training and that the GPS data is actually used properly to positively reinforce and intervene when necessary.
- Policies & Procedures
  - Establishing a mandatory post-accident drug testing policy
  - Annual MVR checking against an internal policy
  - Vehicle inspections between shifts
- Training
  - Help train staff in safety management - what to look for when inspecting a vehicle
  - Frequency and varied forms of driver safety training – in person, via learning management, ride-alongs, etc
    - Defensive Driver Training

LIABILITY & EXCESS

General & Professional Liability

- Rates are stabilizing
  - Could see some increase based upon loss history, but less intense than years prior
  - Some superior organizations may receive a rate decrease
  - Sometimes can be regionally specific to certain states/legal venues

- Competition rising – new capacity coming into market
  - Senior Living: CNA is back and aggressively pricing after being a major contributor to most recent hard market

- Human services are more E&S carrier written now than admitted; abuse capacity remains status quo as a challenge

General & Professional Liability: Factors

- **Nuclear Verdicts:** Organizations that are delivering services to people are more vulnerable to the nuclear verdicts (those in excess of $10M) than ever
    - Anti-corporate social culture resuling in highly plaintiff sympathetic juries & larger settlements
    - Public perception that businesses can afford to pay high-dollar settlements.

- **Third-party litigation funding (TPLF):** a third party provides funding for a lawsuit that a plaintiff might not otherwise have been able to afford to pursue in exchange for a cut of the settlement.
    - An increase in TPLF has led to a higher volume of lawsuits being pursued and often increases litigation costs for insurers because plaintiffs are able to take cases further and chase larger settlements.

- **Tort Reform:** Tort reform laws aim to discourage frivolous lawsuits, protect businesses from abusive practices and reduce overall litigation.
    - May vary by state & politics – some states have had success with tort reform by decreasing the number of claims and putting caps on punitive damages.

General/Professional Liability: Recommendations

- **People Management:**
  - Setting expectations upon intake into care/treatment
- **Technology advancements**:
  - Smart sensors, wearable health devices, emergency care, fall detection
- **Resident/Consumer Handling Training & Process Review:**
  - Training to educate staff on the proper use of their lift equipment
  - Restraint systems – should be documented and trained
- **Culture of Safety:**
  - Regular manager's meetings where safety information is presented, beyond what is handled in the monthly safety committee meetings
  - Help train staff in safety management - what to look for when inspecting a house
  - Use an online learning management system to access multiple shifts of employees and turnover
- **Abuse Prevention Policies & Protocols**
- **Thorough Incident Tracking:**
  - Identify trends in frequency and severity of incidents
  - Incident reporting & investigation training for supervisor level and above - emphasis on strong documentation

Excess / Umbrella Liability

- Insurance rates are stabilizing after correction, but rate decreases are not common.
  - Loss-free or well-performing organizations are no longer seeing double digit increases – may come in flat or single digit increases.
  - Loss-challenged organizations will see larger increases and limited capacity appetite

- Some middle market regional carriers have dramatically reduced their lines on the excess to only $1M - $2M or exited exit entirely due to the fear of large verdicts.

- In excess of $10M, capacity becomes more readily available.

WORKERS COMP

Workers Compensation

- Let the good times roll!
  - Continued soft market – rate decreases in most states
- Industry wide Loss Ratio over the past 10 years: 80%
- Improvements:
  - Reduction of Opioid prescriptions
  - Stronger injury prevention practices
  - Stronger WC claims management
  - COVID less impactful than feared
  - Work at home
- Factors:
  - Profitable underwriting results + favorable reserves + decent interest rate environment for comp – a long-tail line that relies on investment income – + lots of market competition = soft market

BUSINESS INSURANCE

RISK MANAGEMENT WORKERS COMP INTERNATIONAL RESEARCH & REPORTS

Workers Comp

Soft market continues during workers comp renewals

Louise Esola

January 10, 2024

Workers Comp: Outlook

- Optimistic near term!

- Long term – keep your eye on:
  - Compensability of mental health/injury claims
  - Medical costs inflation
  - Workplace violence
  - Increasing wages
  - Marijuana legislation
  - Climate Change/Catastrophic events
  - Artificial Intelligence

CBIA

Workers' Compensation Rates Will Drop 10% in 2024 » CBIA

Regulators approved recommended average workers compensation rate declines of 9.8% in the voluntary market and 10.5% cut in assigned risk.

Nov 15, 2023

Business Insurance | News

Insurers concerned about 2024 comp outlook: NCCI

Workers compensation executives are worried about the economic and financial state of the system moving into 2024, with rate adequacy,...

Jan 8, 2024

Insurance Business America

Workers' comp 2024 outlook: Long-stable market starting to show 'cracks in the armor'

Workers Comp: Recommendations

- **Slip & Fall Prevention:** Establish a non-slip footwear policy & enforcement protocol. Conduct floor slip testing.
- **Training & Retraining:** proper lifting and consumer handling techniques
- **Return to Work:** develop an aggressive light duty program
- **Facilitate a CARING safety culture:** through Cost of Workers Compensation education and genuine care at time of injury
- **Drug Testing Policies:** Review of drug free workplace policy & testing protocol
- **Safety Committee training and participation:** ensure the proper makeup of individuals is involved, key topics are discussed, and certification is achieved (where eligible).
- **Job Safety Analysis** – specific focus on any riskier job functions

MANAGEMENT LIABILITY

Management Liability: D&O

- Directors & Officers Coverage = Soft market conditions!
  - Many incumbent carriers are offering lower rates and improved coverages
  - Carrier Competition (newer carriers coming to market) increasing capacity
  - Carriers focusing on technological advancements to start to simplify application & underwriting

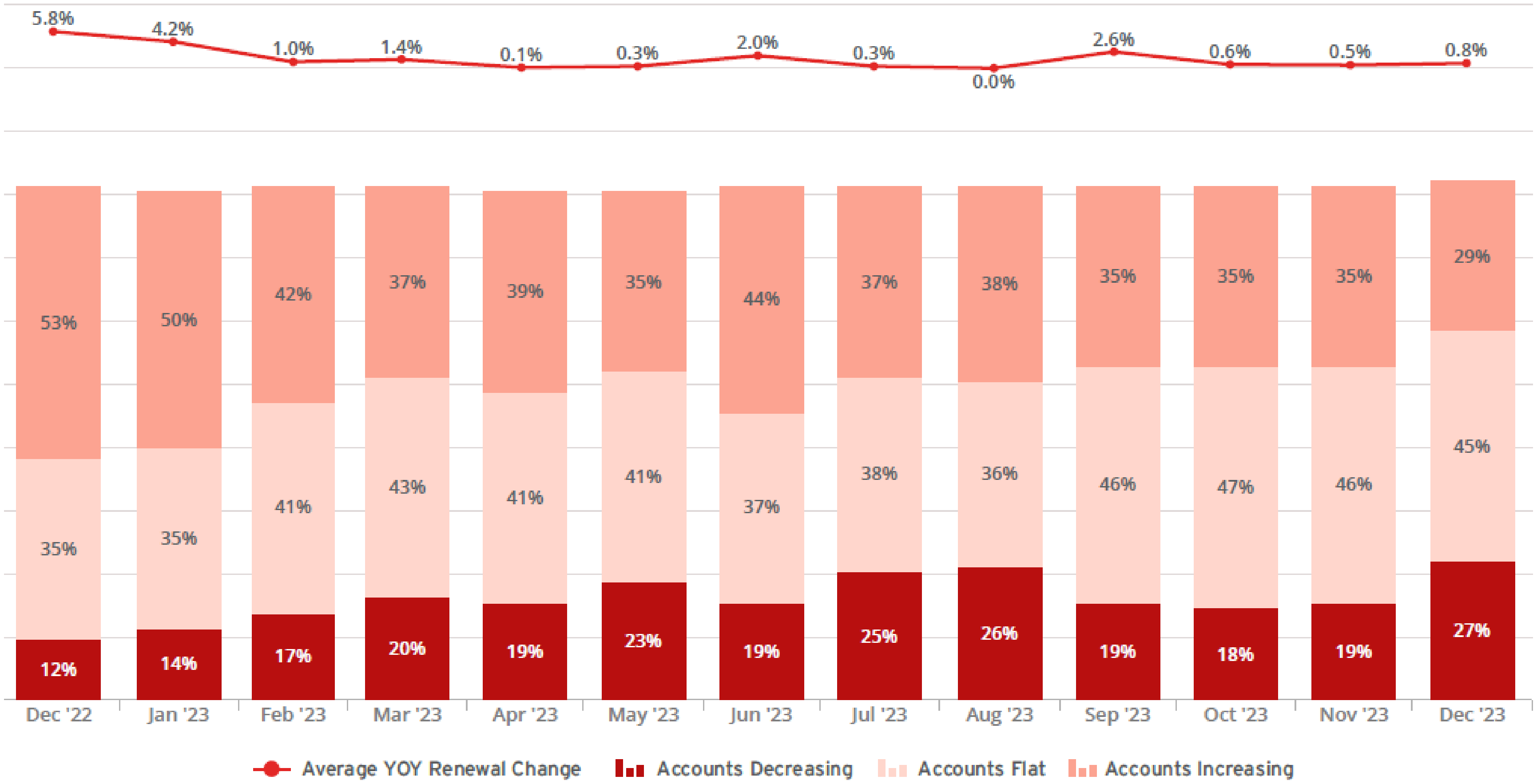
- Post covid moratoriums on senior living and healthcare institutions have ended –more competition = more capacity = more competition = downward rate pressure

- **Hot topics:** Biometric Information Privacy Act (BIPA) exclusions/sublimits & Cyber

- **CIAB Q4 '23 report:** In Q3 '23 D&O premiums decreased for the first time since Q1 2017. In Q4 2023, D&O increases were very nearly flat at 0.1%.

PRIVATE D&O REDY INDEX January 2024

MONTHLY RENEWAL PRICING ANALYSIS | PRIMARY AND EXCESS



Results displayed above reflect average CRC Group Private D&O renewal pricing changes by month (over the previous 12 months). Results are limited to accounts that renewed in the same month as the prior year with the same total account limits. To remove outliers, the top and bottom 1% of accounts by YoY % change have been removed, as well as the top and bottom 1% of accounts by rate on line (Premium/Limit*100). The REDY Index is intended for educational purposes only as individual accounts typically differ from average pricing trends.

Management Liability: D&O

- **Potential negative factors on the horizon:**
  - Inflation (again!) with rising interest rates could lead to a potential waive of business bankruptcies in the coming months
  - Government investigations on use of COVID19 funds
  - Social inflation
  - Global conflicts
  - For public companies – if inappropriate use of AI leads to shareholder actions this could put pressure on the whole D&O industry
  - Political elections could impact the D&O market in 2024
  - M&A activity fallout
    - The United States set a record in 2022 for the highest number of senior care and living transactions in a single year. There was a total of 527 transactions in 2022, an increase of 17% compared over 2021. Skilled nursing deals overall represented just 41% of the year's transactions.

Source: https://www.insurancebusinessmag.com/us/news/life-insurance/whats-happening-in-the-healthcare-management-liability-market-479503.aspx

Management Liability: EPL

- Employment Practices Liability = flat to softening!
    - Broader coverages being offered
    - Retentions remaining consistent with expiring policies – may see separate retentions for certain states, high wage earners or for multi-plaintiff/mass-class
    - More competition

- **Hot Topics**: wage & hour laws & coverage, artificial intelligence creating bias, the future of non-competes, pay equity/transparency, DEI, return-to-office, and pregnancy law changes.

Clyde & Co

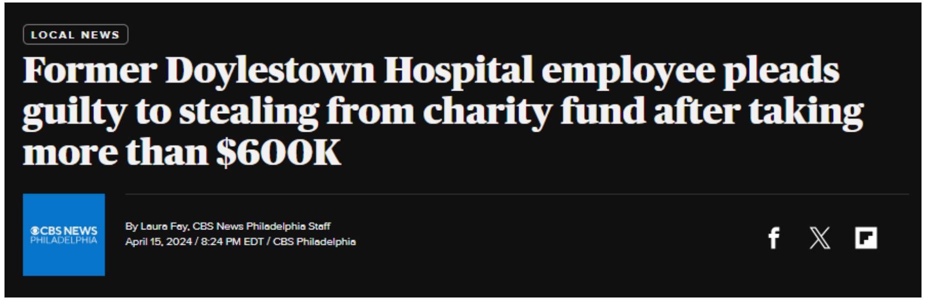
How DEI policies are raising awareness and can help to mitigate EPL claims

Diversity, equity and inclusion initiatives are helping to address discrimination and bias, while aiding companies' efforts to mitigate the...

Jan 10, 2024

Management Liability: Fiduciary & Crime

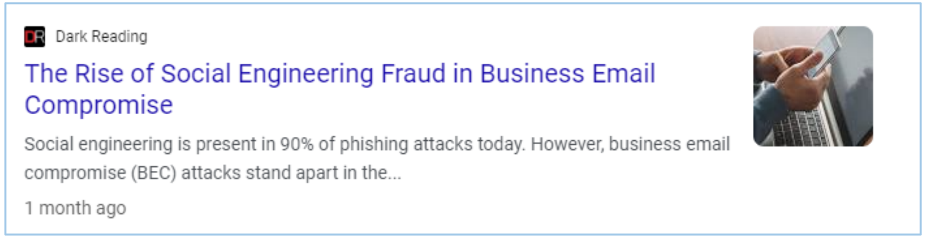
- Fiduciary liability and Crime rates remain flat
- Most frequent claims:
  - Fiduciary Liability: Excessive fee litigation
  - Crime: Employee Theft & Social Engineering
- Important to review Crime policies:
  - Particular focus on Social Engineering coverage
  - Often available at higher limits and lower retentions than available on a stand-alone cyber policy


LOCAL NEWS

Former Doylestown Hospital employee pleads guilty to stealing from charity fund after taking more than $600K

CBS NEWS PHILADELPHIA

By Laura Fay, CBS News Philadelphia Staff
April 15, 2024 / 8:24 PM EDT / CBS Philadelphia


Dark Reading

The Rise of Social Engineering Fraud in Business Email Compromise

Social engineering is present in 90% of phishing attacks today. However, business email compromise (BEC) attacks stand apart in the...

1 month ago

CYBER

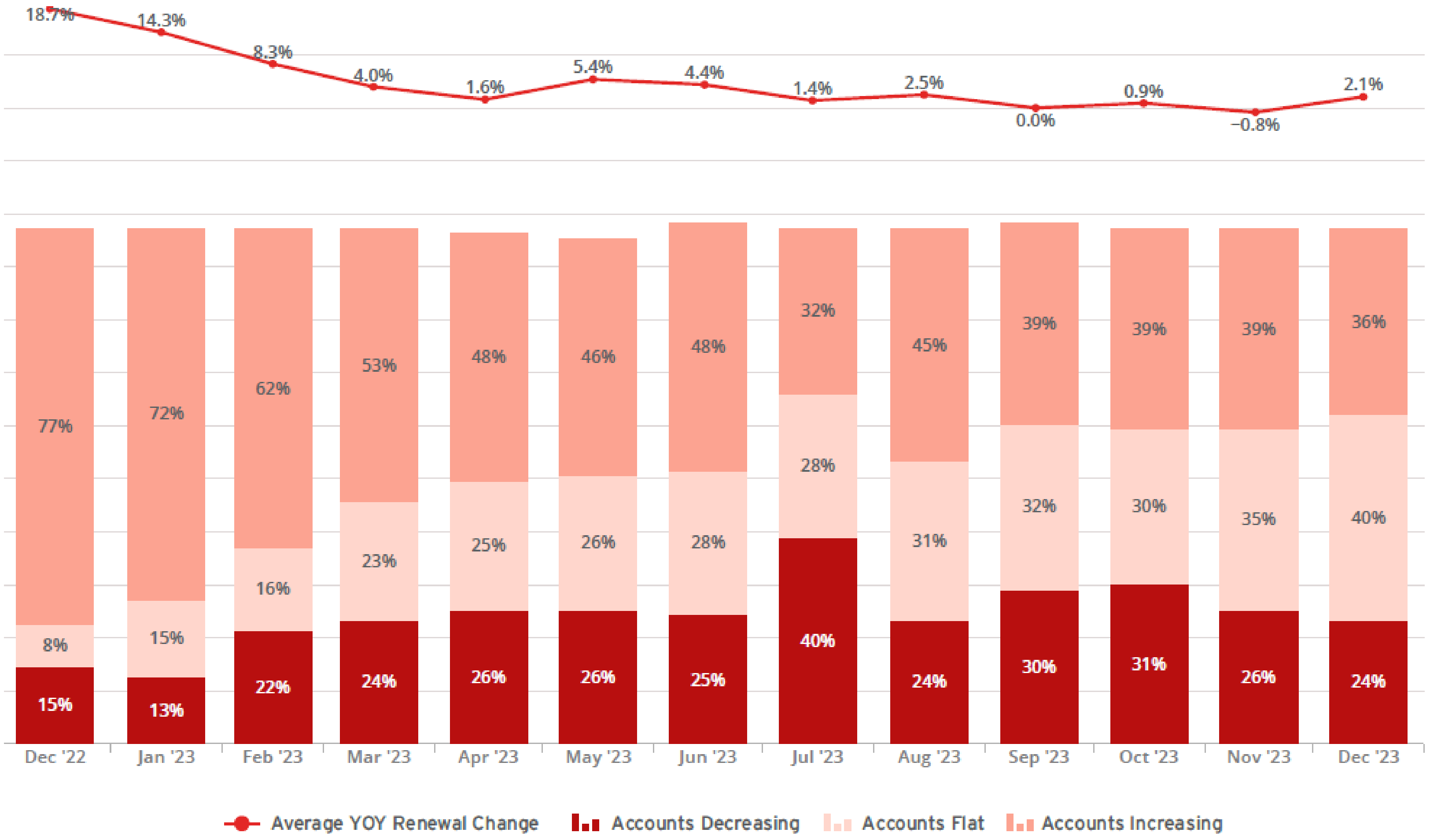
Cyber Insurance

- Rates are stabilizing!
  - Coverage enhancements more readily available
  - Less stringent on cybersecurity posture
  - New capacity entering market
  - Favorable loss year in 2022
  - Organizations with clean loss history & strong cybersecurity controls likely achieve a rate decrease
  - Healthcare still a more difficult class of business

- Outlook is cautious – 2023 was not a good loss year
  - likely to see rate increase as soon as Q3 2024

CYBER REDY INDEX January 2024

MONTHLY RENEWAL PRICING ANALYSIS

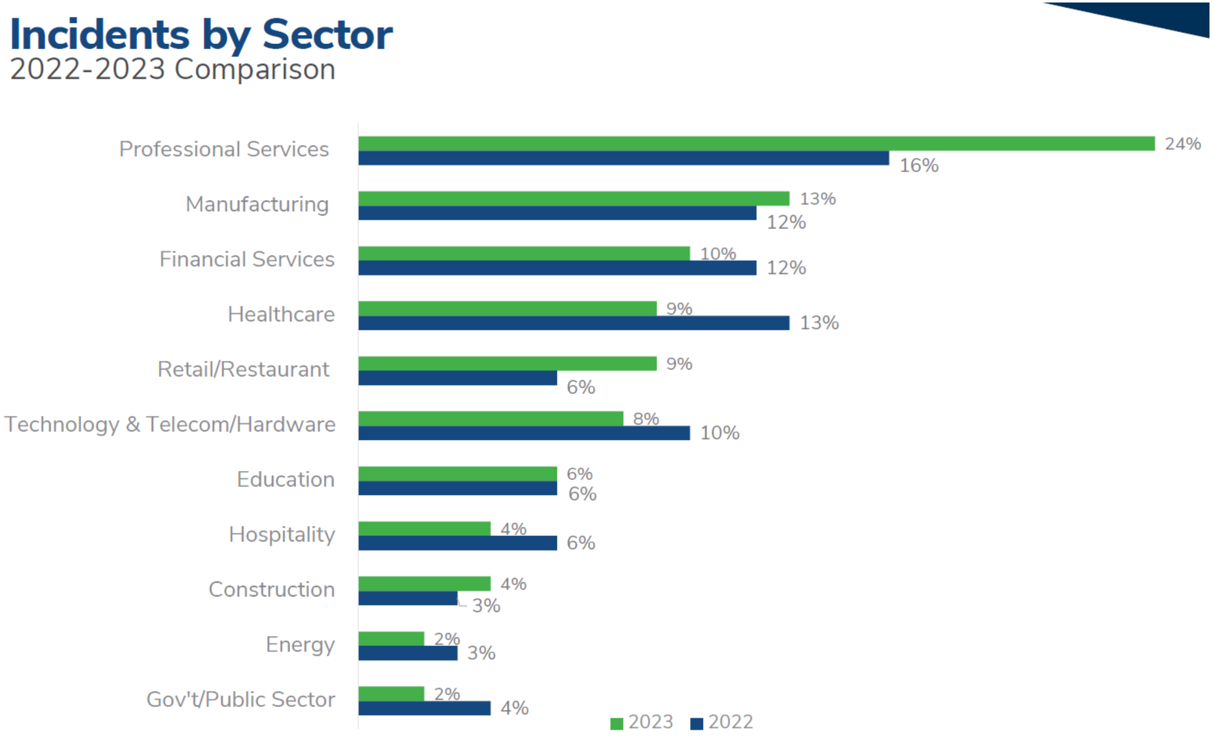


Results displayed above reflect average CRC Group Cyber renewal pricing changes by month (over the previous 12 months). Results are limited to brokerage accounts that renewed in the same month as the prior year with the same total account limits. To remove outliers, the top and bottom 1% of accounts by YoY % change have been removed, as well as the top and bottom 1% of accounts by rate online (Premium/Limit*100). The REDY Index is intended for educational purposes only as individual accounts typically differ from average pricing trends.

Cyber Insurance: Attack Trends

- Greatest drivers of loss are still ransomware attacks & business email compromise with funds transfer fraud

- Most frequent attack methods are still phishing and software vulnerability exploits



Source: Kroll Year End 2023 Report

Cyber Insurance: Hot Topics

- Data Collection Privacy Risks
  - Biometric & website tracking data
  - Many policies exclude coverage; some may offer sublimits; some are silent
- Regulatory Scrutiny – new laws
  - Increasing expectations of your duty of care from regulators and litigators
  - Surge in class actions post breach
- Still some ransomware coverage limitations
- Social engineering callback requirements
- Application accuracy – lessons learned
- War Exclusion Revisions
- Business Interruption & Supply Chain/Catastrophic Risks
  - IT and Critical Infrastructure
  - Non-IT Supply Chain considerations
  - Change Healthcare – Impact TBD!

B Bloomberg Law News

Meta Pixel's Video Tracking Spurs Wave of Data Privacy Suits (1)

Consumers are suing dozens of companies ranging from the NFL to NPR for sharing tracking data on what videos they watch, in a growing...

Oct 13, 2022

Change Healthcare cyberattack fallout continues

Change Healthcare, part of Optum, disconnected its systems in late February due to a cyberattack.

Source: Getty Images

Cyber: Key Controls

- Many organizations using the softer market as an opportunity to be more proactive with cybersecurity measures

- Most critical cybersecurity controls to consider:
  - Multi-factor authentication – still needed & expected on email, remote & privileged access
  - Segregated backups
  - 24/7 Monitoring = Managed Detection & Response
    - Could become the new “MFA requirement”
  - Patching
  - Cybersecurity assessments or framework compliance
  - Incident Response planning & tabletop exercises

BUSINESS INSURANCE

RISK MANAGEMENT WORKERS COMP INTERNATIONAL RESEARCH & REPORTS PE

Risk Management

Coalition to offer premium credits for cyber control use

Matthew Lerner

February 21, 2024

SHARE

Agents & Broke

Coalition Inc. Tuesday said it would offer premium credits to customers that use its managed detection and response cyber security tool.

Businesses that use Coalition MDR are eligible for up to a 12.5% premium credit on cyber insurance policies provided by Coalition, the


SIXERS

Impact of Artificial Intelligence

- Conceptually AI isn’t as new as you may think – just more accessible
- Will lead to lots of efficiencies in business
  - Anticipated increase efficiencies in insurance applications, underwriting & claims
- Ethical challenges – managing AI bias
- Increased sophistication of cyber attacks (ex: deepfakes)
- Insurance coverage considerations – stay tuned

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